

STATEMENT OF STEPHEN A. PERRY
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BEFORE THE GOVERNMENT REFORM COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

JUNE 5, 2003

Chairman Davis and Members of the Committee:

Thank you for inviting me to testify today concerning Federal real property management. In my testimony before this distinguished Committee last year on the need for Real Property Reform, I discussed the need for appropriate and up-to-date management practices and financial incentives for more effective property management. As you know, since 1999, the General Services Administration (GSA) has strongly supported Congressional passage of real property legislative reform. We recognized then that public-private partnership (PPP) type authorities and financial incentives are required for effective property management in the 21st Century. We are pleased that the General Accounting Office (GAO) has expressed support for similar legislative remedies in its January 2003, High-Risk designation for Federal real property.

Accordingly, the GSA remains committed to working with this Congress to secure passage of legislation that allows existing real property management statutes to more accurately reflect the current needs of the Government and emerging practices of the commercial marketplace. Public-private partnerships will reduce the costs – both in capital outlays and in productivity – associated with deteriorated, vacant and underutilized space in existing Federal real property. Such legislation would also help with other challenges, such as the advancing age of Federal buildings, the increasing need to secure these facilities against terrorism, and striving to make Government structures healthy and environmentally sound for employees.

Mr. Chairman, at this point I would like to introduce the GSA team with me today, which includes Mr. Paul Chistolini, Deputy Commissioner, Public Buildings Service, and Mr. David Bibb, the Deputy Associate Administrator for Real Property in GSA's Office of Governmentwide Policy.

Additionally, I would like to thank the Committee and its predecessor for their efforts to make Federal property management reform a priority. During the past several years, the Committee has provided the opportunity to discuss the problems, policies, and procedures surrounding the management and disposal of Federal assets.

We appreciate your continued interest in and support of GSA's efforts to secure appropriate management practices like PPP's and other financial incentives. We look forward to working with the members of this Committee and others in Congress to pass effective real property legislation.

In its report released on January 30, 2003, entitled "High-Risk Series, Federal Real Property," GAO designated the Government's real property inventory as a High-Risk program. I understand that the designation "High-Risk" is the strongest term used by GAO to communicate the growing concern regarding a programmatic issue, and the importance of taking corrective action immediately. We agree with virtually all of GAO's conclusions. In fact, I believe that our legislative initiative generated several years ago recognizes many of these same problems.

Many Government buildings are no longer aligned with or respond to agencies' changing missions. The Government's assets should be realigned with the agency missions, and should consider the requirements of the future Federal role and workplace. These actions would be critical to improving Federal Government performance and ensuring accountability within expected resource limits. Much of the Government's vast and diverse portfolio reflects an infrastructure that is based on business models and technology of the 1950's. GSA, which has only about 10 percent of the Government's space, suffers from a backlog of building maintenance, repairs, and alterations that are estimated at approximately \$5.7 billion. Looking at this growing problem from a governmentwide perspective, according to the High-Risk Series report, this figure can be easily projected to be well over \$100 billion governmentwide.

Moreover, in GAO's July 2001, report entitled "Public-Private Partnerships (PPP), Pilot Program Needed to Demonstrate the Actual Benefits of Using Partnerships," it was recommended that the Administrator of General Services should seek statutory authority to

use PPP's as a real property management tool to achieve the best economic value for the Federal Government, and to show the benefits of commercial expertise and resources under this type of business arrangement. The report also mentioned that similar authorities such as enhanced-use leasing have already been granted to the Department of Veterans Affairs (VA) and the Department of Defense (DOD).

There are other Federal agencies that have received similar PPP type authorities such as United States Postal Service and just recently the National Aeronautics and Space Administration (NASA). Furthermore, limited one-time PPP type authorities have been granted to GSA and other agencies over the course of 20 plus years.

The success of Federal agencies in their effective use of enhanced-use leasing authorities provides a complete and accurate assessment of the benefits available to the Government. For example, DOD has successfully completed 16 projects using its base housing privatization authority with another 58 projects either in the solicitation or planning process. In fact, DOD plans to rehabilitate a majority of

its multi-family housing stock using PPP type arrangements. VA has already completed 27 enhanced-use leasing type projects. GSA also has a PPP project underway at the Southeast Federal Center that was made possible through special legislation. Another candidate that GSA believes would benefit from PPP is the Federal Center South in Seattle, Washington. As the Committee can see from the graphics provided, this building could be redeveloped for a combination of private sector and Federal use. These examples, as well as other successes clearly reinforce the case for making PPPs.

Even though the need for PPP type authority is essential to real property reform legislation, it is by no means the only reform measure that Congress should consider.

Federal property managers should not be tied to outmoded business practices. Instead, they should be free to pursue proven common-sense, business-like practices and techniques to manage property holdings strategically. Reform legislation should enhance existing authorities and provide several new authorities. These include:

- Promoting the exchange/sale of Real Property where an exchange or transfer of property within the Federal Government could be made, or entering into agreements with non-Federal entities to exchange or sell property as a means of acquiring replacement property better suited for mission purposes.
- Subleasing by allowing the sublease of vacant portions of government-leased property.
- Outleasing where partnerships could be entered into, as discussed above, and outlease to the private sector property that must remain in Federal ownership. Underutilized portions of non-excess government-owned property could also be outleased to promote the full use and optimum performance of the property. The Government would benefit from private sector resources and expertise to repair, renovate, and construct facilities. To protect the Government's interest and those of the private sector, public private-partnership arrangements would be reviewed by the Congress, and undergo a biennial review by the General Accounting Office.

- In addition, agencies could access recoverable equity in disposed of, underused or obsolete Federal property and apply the proceeds toward meeting other on-going facilities needs. Currently, resources must be diverted to hold underused and unproductive property when in fact those resources could be used to improve other required facilities. This has resulted in the inability to optimize property and has contributed to the retention of property that has little or no functional value. The bulk of proceeds from real property transactions should be retained and the funds should be used to offset direct and indirect real property transactional costs in meeting capital needs.

In addition to the aforementioned legislative reforms, landholding agencies should also consider implementing a number of measures to improve the management of real property.

Effective property management requires that agencies consider all phases of the life cycle (i.e., acquisition, use, and disposal) of property. A strategic perspective should be incorporated into

property management decisionmaking during all phases of the property's life cycle. Specifically:

- Asset Management Principles (AMP) to emphasize the life cycle of the asset. These principles would serve as the baseline for agencies in decisionmaking processes.
- Strategic Real Property Planning, where landholding agencies would develop real property management plans for their real property through all life cycle phases, ensuring consistency with agency missions, strategic goals, and objectives.
- A Senior Real Property Officer to oversee the management of real property in accordance with strategic objectives, to follow the Asset Management Principles, to prepare real property management plans, and to generally coordinate agency real property functions and processes.
- A Governmentwide Real Property Information Database to improve coordination of real property planning and management by using a database of reliable information regarding agencies' properties. Agencies would maintain and use the information in the database to support sound property management decisions internally and governmentwide.

At this juncture, Mr. Chairman, I would like to emphasize two significant points.

First, landholding agencies must be held responsible for the proper management of Federal resources. To this end, they must continue to keep the Congress, the President and the public properly informed through existing oversight procedures. These include the submission of agency strategic plans, asset management plans, annual budget submissions, and the review by Congress when a major project utilizes the public-private partnership arrangements that I have discussed.

Secondly, any reform measure should preserve existing statutory authorities and responsibilities of Federal landholding agencies and their programs. The new authorities we have discussed should complement existing authorities and responsibilities.

In conclusion, I must emphasize that improving Federal property management through the use of PPP's and other management tools

and incentives is critical to improving the ability to meet mission requirements. Meeting those requirements will help improve performance results. GAO has identified the condition of the nation's Federal facilities as a high-risk to the Government's very ability to fulfill its vital missions. Without major change, our performance will suffer and our ability to compete for talent will be negatively impacted due to substandard working conditions. I hope that Congress will seriously - and favorably – consider the important reforms I have outlined. We look forward to working with you on this very critical issue.

Mr. Chairman, this concludes my statement. I am happy to answer any questions you or other Committee Members may have.